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SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

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APPLICATION OF SOUTHWESTERN §
ELECTRIC POWER COMPANY FOR §
AUTHORITY TO CHANGE RATES §
BEFORE THE STATE OFFICE
OF
ADMINISTRATIVE HEARINGS

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EASTMAN
CHEMICAL COMPANY'S FIRST REQUEST FOR INFORMATION**

MARCH 29, 2021

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**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EASTMAN
CHEMICAL COMPANY'S FIRST REQUESTS FOR INFORMATION**

Question No. Eastman 1-1:

In SWEPCO's last rate case before the Arkansas Public Service Commission, Docket No. 19008-U, *In the Matter of the Application of Southwest Electronic Power Company for Approval of a General Change in Rates and Tariffs* ("APSC Docket No. 19008-U"), provide the following information and/or documents:

- a. Provide a detailed explanation of SWEPCO's position regarding the treatment of retail Behind the Meter Generation ("BTMG") as it impacts the allocation and recovery of transmission costs by SWEPCO in Arkansas.
- b. Provide SWEPCO's rationale for the position and treatment of the BTMG in the Arkansas rate case and a copy of all testimony and workpapers related to SWEPCO's position.
- c. Provide an explanation of whether and/or how the Arkansas Public Service Commission addressed the retail BTMG issue and document the manner in which this issue was addressed in APSC Docket No. 19008-U by providing relevant excerpts from the final order and/or settlement agreement in that proceeding.

Response No. Eastman 1-1:

a-c) The treatment of retail BTMG was not addressed in the SWEPCO Arkansas rate case.

Prepared By: C. Richard Ross

Title: Dir Transmission RTO Policy

Sponsored By: John O. Aaron

Title: Dir Reg Pricing & Analysis

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Question No. Eastman 1-2:

In Public Service Company of Oklahoma's ("PSO") last rate case before the Oklahoma Corporation Commission, Cause No. PUD 2018000097, Application of Public Service Company of Oklahoma, an Oklahoma Corporation, For An Adjustment in its Rates and Charges and the Electric Service Rules, Regulations and Conditions of Electric Service in the State of Oklahoma and To Approve a Performanced Based Rate Proposal ("Cause No. PUD 2018000097"), provide the following information and/or documents:

- a. Provide a detailed explanation of PSO's position regarding the treatment of retail BTMG as it impacts the allocation and recovery of transmission costs by PSO in Oklahoma.
- b. Provide PSO's rationale for the position and treatment of the BTMG in the Oklahoma rate case and a copy of all testimony and workpapers related to PSO's position.
- c. Provide the settlement agreement, decision and/or order from the Oklahoma Corporation Commission with respect to the retail BTMG issue and document the manner in which this issue was addressed in Cause No. PUD 2018000097 by providing relevant excerpts from the final order and/or settlement agreement in that proceeding.

Response No. Eastman 1-2:

a-c) Retail BTMG was not an issue in the 2018 PSO rate case.

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**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EASTMAN
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Question No. Eastman 1-3:

Referring to the Direct Testimony of SWEPCO witness Jennifer Jackson at page 23, lines 4-16:

- a. Provide a detailed explanation about how SWEPCO's per unit combined Commercial and Industrial ("C&I") class transmission revenue requirement is reflective of the per unit transmission cost that SWEPCO incurs to serve Eastman's specific load on the SWEPCO system. Provide all documents supporting the position and explanation.
- b. Provide a detailed explanation as to the basis for Ms. Jackson's statement that 50% of the class functional demand cost is recovered in the reservation backup charge. Provide all documents supporting the position and explanation.
- c. Provide a detailed explanation that demonstrates that recovering 50% of the per unit combined C&I transmission revenue requirement through the proposed synchronized self-generation rate will result in a rate that is consistent with cost causation principles which dictate that cost incurrence for transmission costs is driven by the actual customer demands imposed at the time of the system peak.

Response No. Eastman 1-3:

- a) The combined C&I transmission functional cost is used to develop a per unit rate for any C&I customer that has self-generation synchronized with SWEPCO's transmission system whose load is included to in SWEPCO's load ratio share allocation for billing by SPP. SWEPCO is not proposing to directly assign the synchronized self-generation transmission system cost to a specific customer.
- b) The statement is based on the original pricing methodology for the backup reservation charge. The original pricing methodology for backup service divided the sum of the functional production, transmission, and distribution (if applicable) cost for the class by the class Non Coincident Peak (NCP) demands to arrive at a total component cost per NCP. The monthly rate for backup service included a portion of each functional cost, 5% of the production unit cost and 50% of the transmission unit cost.
- c) The proposed rate is based on the transmission functional cost as described in (b) and the rate is proposed to be applied to the level of demand, synchronized with the transmission system occurring at the time of system peak that is included in SWEPCO's load ratio share of SPP billing for customers with synchronized self-generation.

Prepared By: Jennifer L. Jackson

Title: Reg Pricing & Analysis Mgr

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**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO EASTMAN
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Question No. Eastman 1-4:

Referring to SWEPCO's response to Texas Industrial Energy Consumers ("TIEC") Request for Information No. 6-4:

- a. Provide a detailed explanation and all supporting workpapers in native Excel format for the analysis performed by John O. Aaron that produced the \$5.7 million estimated cost for behind the meter load.
- b. Provide a detailed explanation why the proposed synchronized self-generate rate produces rate revenues that do not match the \$5.7 million cost estimate developed as described in RFI 1-4(a) above.
- c. In responding to 1-4(b) above, provide a detailed explanation as to why it is appropriate to assign the resulting difference in costs and revenues to the LLP class.
- d. Provide the workpapers supporting the determination of the transmission portion of the backup and maintenance rates in native Excel format.
- e. With respect to the transmission portion of the backup and maintenance rate, provide a detailed explanation as to why it is appropriate to calculate the synchronized self-generation rate in a manner that is consistent with the design of the backup and maintenance rates.
- f. Provide a detailed explanation as to why the design of the synchronized self-generation rate on the basis of per unit NCP kW transmission costs is consistent with cost causation principles.

Response No. Eastman 1-4:

a) Please see SWEPCO's response to TIEC 11-1 for workpapers supporting the \$5.7 million estimate. This amount reflects the allocation of SWEPCO's total company transmission-related revenue requirement to the Texas retail jurisdiction consistent with cost causation concepts. Excluding BTM load from SWEPCO's Texas retail load responsibility would inappropriately shift costs to other jurisdictions.

b) Please see SWEPCO's response to Eastman 1-3.

c) Please see SWEPCO's response to Eastman 1-3.

d) Please see SWEPCO's response to TIEC 11-7.

e) Please see SWEPCO's response to Eastman 1-3.

f) The design of the synchronized self-generation rate on the basis of per unit NCP kW is a fair and reasonable basis consistent with 18 CFR §292.305(c)(i).

Prepared By: John O. Aaron

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Question No. Eastman 1-5:

Provide a copy of all documents, including, but not limited to all correspondence, presentations, documents, workpapers, and notes of telephonic or in person conversations, between SWEPCO and the Southwest Power Pool regarding the change in retail behind-the-meter charges.

Response No. Eastman 1-5:

Please see SWEPCO's response to TIEC 6-3.

Prepared By: John O. Aaron

Title: Dir Reg Pricing & Analysis

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